

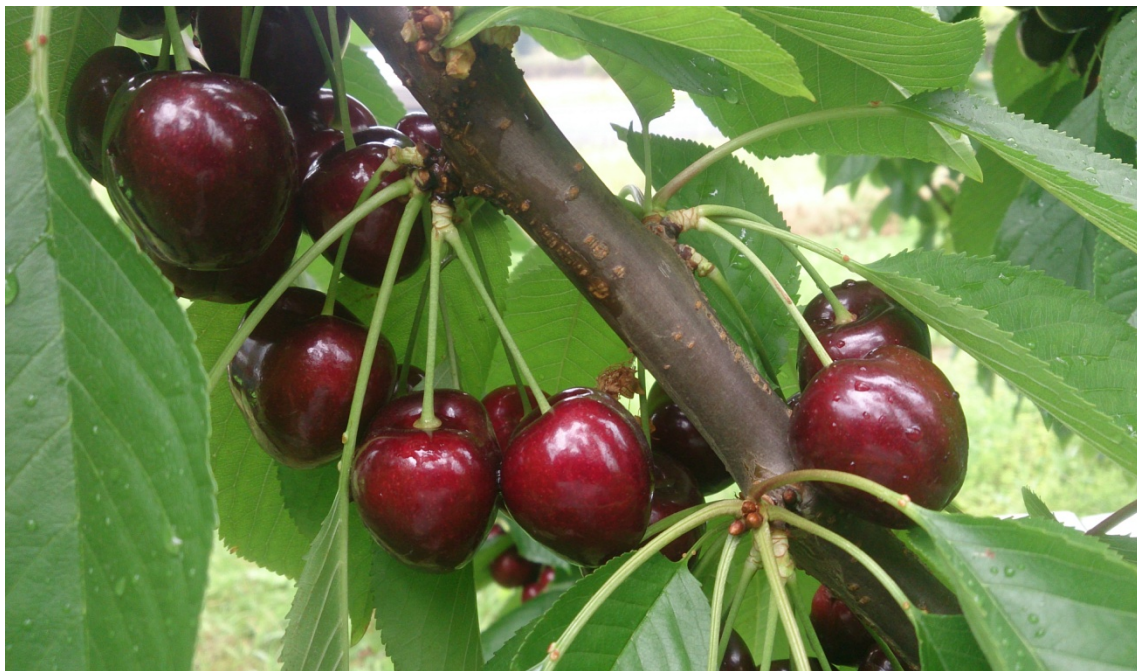


Cherry Growers Australia Inc

ABN 77797945686

Report to the Federal Minister on the review of current levies set by the Australian Cherry Industry and the levy vote held.

June 2016





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28 June 2016

Honorable Barnaby Joyce, MP
Minister for Agriculture
Parliament House
Canberra ACT 2600

Dear Minister

I am writing to you as the President of Cherry Growers Australia, as a follow up to the letter the CGA Board sent to you back in October 2014 on matters pertaining to a review of our levies for the Australian Cherry Industry.

CGA would like to formally indicate to you that a review of our levy has been undertaken in accordance with the Department of Agriculture - Levy Principles and Guidelines document of January 2009.

That review has now been completed and voted on by the Australian Cherry Industry in a ballot held from 3 June to 17 June 2016 by the Tasmanian Electoral office.

442 ballots were posted out to the industry on 2 June 2016 with 3 or 4 returned where electronic votes were sent out.

The results provided back from the Tasmanian electoral office were 80 returned of which one was informal so 79 valid votes so 18% return only

From the returned votes: Option 1: 55 votes counted in favor, so 70.51%

This was a new levy structure to be approved of:

- 3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government;
- 0.20 (Cent /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian Government;
- 1.00 (Cent /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian Government;
- 0.00 (Cent /Kilogram) for the Emergency Plant Pest Response Deed levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
- 2.00 (Cents /Kilogram) for an Industry Development and Capacity Building levy collected by Federal Levy Revenue Service and provided to CGA directly, from the Levy Revenue Service in the Department of Agriculture and Water Resources, that is not matched by the Australian Government.

Option 2: 23 votes counted in favor to keep the levy the same, so 29.41%

Maintain the current levy split of 7Cents/Kilogram with minor adjustments on Research and Development and Plant Health Levy.

- Research and Development Levy at 3.80 (Cents /Kilogram) that is matched \$ for \$ by the Australian Government;
- Marketing and Promotions Levy of 3 (Cents /Kilogram) that is not matched by the Australian Government;
- Plant Health Australia levy set at 0.20 (Cents /Kilogram) that is not matched by the Australian Government;
- Emergency Plant Pest Response Levy set at 0.00 that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; (Cents /Kilogram).

There was one informal vote.

So under Australian Government - Levies Revenue Service - Levy Principles and Guidelines Paper 2009, in Section 3.2 G on page 6:

CGA does have a 50% plus one who chooses to vote in a one vote per producer ballot with the result provided to move forward for changes to the current levies and recommends that the Minister make these changes for the 2016/17 and following seasons.

Also because of the change from Horticulture Australia Limited to Horticulture Innovation Australia Limited in November 2014 questions had been asked if Cherry Growers Australia was the Peak Industry Body representing all growers and serves as their voice?

As part the levy vote, the CGA Board was seeking the recognition of CGA as the Peak Industry Body for the Australian Cherry Industry in the statement:

That as a grower you support and agree that Cherry Growers Australia Inc. is recognised as the national organisation to represent you on matters and discussions with Horticulture Innovation Australia, Federal and State Governments and other key stakeholders.

Of the 79 votes counted

- 69 agreed to the proposal 87.34%; and
- 10 votes disagreed 12.66%

From this it is very apparent that the CGA Board and national office are seen as the organization to represent the industry and as part of this there will be a restructure of the CGA Board in the last half of 2016 to reflect the key representation of the industry as we go forward.

The major issue CGA would like to discuss is the requirement to amend Federal Government pieces of legislation to ensure the 2 Cents/Kilogram can be directed to CGA for funding of projects as outlined in the information provided.

For this to be achieved the Federal Government pieces of Legislation that would need to be reviewed to be changed involved in this process are:

- Imposition legislation
Primary Industries (Customs) Charges Act 1999 & Primary Industries (Excise) Levies Act 1999
- Collection legislation
Primary Industries Levies and Charges Collection Act 1991
- Disbursement legislation
Horticultural Marketing and Research and Development Services Act 2000

On advice to you as Minister from the department, you may need only change the disbursement legislation from all horticultural levies going to Horticulture Innovation Australia under the *Horticultural Marketing and Research and Development Services Act 2000* to other specified bodies once a levy review has been undertaken.

Also it is not as if the industry is totally leaving the process as it does see the value in having funds invested in Research and Development, Marketing and promotions and also on Plant Health and Biosecurity areas.

This change has come about for four key reasons as discussed by growers and across the industry:

- Firstly the change in HAL to HIA has starved a number of small industry bodies of funding to run key services for their industry and as the levy is raised by the industry growers and exporters would like some of this put back to provide these services.
- Secondly as the industry is already being charged for the levies to be collected by the Levy Revenue Service of your Department any where from \$55,000 to \$60,000 per annum, that instead of going to a voluntary levy and having to spend another \$50,000 collecting that by CGA that it all be done under the same administrative procedure.
- Thirdly the funds raised for CGA in this process would not be matched by the Federal government and would go directly to CGA.
- Finally the industry sees as a innovative step forward as part of the requirement to have some control of the funds it raises so that it can plan activities over the next 5 to 10 years and out to 2030 as the industry expands for domestic consumption and in the export arena as the 2015/16 season showed with over 5600 tonnes exported for a value of \$77 million dollars up 2000 tonnes and \$30 million for 2014/15.

With improved market access in into several key markets it have been forecast that this would go over 7000 tonnes to a value of around \$120 million and grow over the next 5 to 10 years to over \$150 million.

So the \$350,000 to \$400,000 raised by the 2cents/Kilogram levy per annum on a 15,000 to 20,000 tonne levied crop per annum, would provide funds to continue to drive this work in collaboration with your Department of Agriculture and Water Resources, Department of Foreign Affairs and Trade and Austrade, Horticulture Innovation Australia and other key partners

I have attached for your information:

- My letter and information that went to the Australian Cherry industry for the vote and cover letter from the Tasmanian Electoral office, see pages 6 to 9;
- The Minutes from the CGA meeting on 23 May 2016 agreeing to the options to be put forward to industry for the vote, see pages 10 to 12;
- The final report from Levy Workshops sent to the CGA Board on 18 May 2016 by Simon Boughey, CGA CEO, see pages 13-20; and
- A full copy of final discussion paper emailed out to the CGA database (293), levy database (323) and hard copy mailed out to CGA mail-out database (560) in May 2016, see pages 21 to 34.

I look forward to discussing our recommendation made to you for the changes in the Australian Cherry Levy for the next 3-5 years and want to ensure the changes are implemented by the commencement of the Australian Cherry season so 1 October 2016.

If you need any further information please call me on 0438 059 464 or email me on tom@eastlakes.net

Yours sincerely,

Tom Eastlake
President
Cherry Growers Australia



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Email: ceo@cherrygrowers.org.au

To the Australian Cherry Industry

I am writing to you as President of the Cherry Growers Australia Inc. You would be aware the Cherry Growers of Australia Board agreed to undertake a review of the existing statutory cherry levy rates that provides support to the Australian cherry industry going forward.

Over the past 18 months, the CGA Board has been working with the State Association members and listening to growers to continue this process. The paper on the **Review of current levies set by the Australian Cherry Industry - April 2016**, was sent out in early April for comment and workshops have been conducted in all States in early to mid-May.

The CGA Board has reviewed all the feedback from the discussion paper and workshops and agreed on 23 May 2016 to two options being put forward to the Australian cherry industry to vote on in early to mid June 2016 in an election managed and run by the Tasmanian Electoral Commission.

These are:

- A new split of the 7 Cents / Kilogram for research and development, marketing and promotions and funds for CGA, to operate under the funding environment that the industry finds itself, with the change over from Horticulture Australia Limited to Horticulture Innovation Australia in late 2014;
- The status quo of 7 Cents / Kilogram, split into the current research and development and marketing and promotions areas.

These are explained on the information sheet provided in this voting package see pages 2 and 3.

Cherry Growers Australia is the Peak Industry Body representing all growers and serves as your voice. As part the levy vote, the CGA Board is seeking your recognition of CGA as the Peak Industry Body for the Australian Cherry Industry in the statement: ***That as a grower you support and agree that Cherry Growers Australia Inc. is recognised as the national organisation to represent you on matters and discussions with Horticulture Innovation Australia, Federal and State Governments and other key stakeholders.***

There will be a simple **Yes** or **No** vote box on the ballot paper for you to vote on this matter.

Can I please ask you to make sure you do send in a vote in this important ballot. It is the future of your industry you are voting for and the use of your levies to drive the industry forward out to 2020 and beyond. The results from the ballot will go into a final report to be sent to the Minister by the end of 2015/16 financial year.

The review process will not affect any levies still to be collected this financial year, however, should majority support be achieved during the cherry levy ballot, the new levy rates are likely to be implemented during the 2016/17 financial year once approved by the Federal Minister.

I look forward to you voting in this important process.

Yours sincerely,

Tom Eastlake
President CGA Board 01 June 2016

Information package on the vote on Australian Cherry Levy - June 2016

Option 1

New levy split of 7 Cents/Kilogram

- 3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government;
- 0.20 (Cent /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian Government;
- 1.00 (Cent /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian Government;
- 0.00 (Cent /Kilogram) for the Emergency Plant Pest Response Deed levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
- 2.00 (Cents /Kilogram) for an Industry Development and Capacity Building levy collected by Federal Levy Revenue Service and provided to CGA directly, from the Levy Revenue Service in the Department of Agriculture and Water Resources , that is not matched by the Australian Government.

Option 2

Maintain the current levy split of 7Cents/Kilogram with minor adjustments on Research and Development and Plant Health Levy.

- Research and Development Levy at 3.80 (Cents /Kilogram) that is matched \$ for \$ by the Australian Government;
- Marketing and Promotions Levy of 3 (Cents /Kilogram) that is not matched by the Australian Government;
- Plant Health Australia levy set at 0.20 (Cents /Kilogram) that is not matched by the Australian Government;
- Emergency Plant Pest Response Levy set at 0.00 that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; (Cents /Kilogram).

Relevant Federal Government pieces of Legislation involved in this process for this to be implemented are:

- **Imposition legislation**
Primary Industries (Customs) Charges Act 1999 & Primary Industries (Excise) Levies Act 1999
- **Collection legislation**
Primary Industries Levies and Charges Collection Act 1991
- **Disbursement legislation**
Horticultural Marketing and Research and Development Services Act 2000

The key is to have an amendment approved and legislated, that provides for other disbursement points. At the moment Horticulture Innovation Australia (HIA) is the only disbursement point mentioned under the Act, the Federal government would need to set it up so other national bodies could obtain disbursement status eg. CGA, APAL, Summerfruit etc.

All levies in this process of disbursement to CGA would not be matched by the Federal Government and all other levies would still go to HIA as indicated above and as mentioned on Page 3.

This would be a major step forward for all horticultural industries across the country and CGA have tried this approach in October 2014 with a letter to Assistant Minister Ruston.

If the industry voted for this in a ballot it would provide momentum and support to obtain the required changes to legislation.

Approximate figures of revenue raised related to the two options to be voted on are listed below

Cherry levy by tonnes per financial year	Research and Development amounts raised	Matched by Australian Government	Total	Marketing and Promotions amounts raised	Total
OPTION 1	NEW PROPOSAL			NEW PROPOSAL	
10,000	4c/kg - 400,000	400,000	800,000	1c/kg – 100,000	\$ 900,000
12,500	4c/kg - 500,000	500,000	1,000,000	1c/kg - 125,000	\$ 1.125M
15,000	4c/kg - 600,000	600,000	1,200,000	1c/kg – 150,000	\$ \$1.350M
20,000	4c/kg - 800,000	800,000	1,600,000	1c/kg – 200,000	\$ \$1.80M
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects and the Australian Cherry Industry Strategic Plan	CGA could apply for project funding here as a service provider		This would all be administered by HIAL and their processes and the Australian Cherry Industry Strategic Plan	Industry input and advice on Pool 1 and Pool 2 strategic projects the Australian Cherry Industry Strategic Plan
	Compulsory Levy not matched by Federal government funding to go to CGA				
10,000	2c/kg - 200,000				
12,500	2c/kg - 250,000				
15,000	2c/kg - 300,000				
20,000	2c/kg - 400,000				
	<p>Industry Development and Capacity Building Levy Collected by DAWR LRS along with the R&D and M&P levies above and disbursed to the CGA National Office on behalf on the Australian Cherry industry by LRS.</p> <p>Allocated on industry agreed projects approved by the new CGA National Board set up as part of a governance restructure of for the industry for example:</p> <ul style="list-style-type: none"> • BMP Program, Market Access & improvement, Export Registration; • Capacity building and promotions funding provided to growing regions and State bodies; • National Extension program linked to research and development projects; • Trade shows, International marketing and domestic marketing outside and marketing levy projects agreed to with HIA; and • Other projects and programs that could be developed over time to benefit the industry. • 				
OPTION 2	CURRENT STATUS			CURRENT STATUS	
10,000	4c/kg - 400,000	400,000	800,000	3c/kg – 300,000	\$1.1M
12,500	4c/kg - 500,000	500,000	1,000,000	3c/kg - 375,000	\$1.375M
15,000	4c/kg - 600,000	600,000	1,200,000	3c/kg – 450,000	\$1.65M
20,000	4c/kg - 800,000	800,000	1,600,000	3c/kg – 650,000	\$2.25M
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan	CGA could apply for project funding here as a service provider		This would all be administered by HIAL and their processes and Strategic Plan	Industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan

Dear producer/elector

Cherry Growers Australia Inc - 2016 levy ballot

The Tasmanian Electoral Commission (TEC) has been asked by Cherry Growers Australia Inc (CGA) to conduct a ballot with regard to future use of an industry levy. The CGA Board has provided the voting options and voting register to the TEC, who will now undertake the postal ballot. Further information can be found in an enclosed 3 page letter from CGA.

CGA has advised that the voting allocation will be one vote per producer (business entity). The postal ballot material necessary for you to complete your vote is enclosed.

Please follow the instructions on the ballot paper carefully. After you have voted, put the ballot paper in the 'Ballot Paper Envelope' and seal it.

Important! You must personally sign the 'Ballot Paper Envelope'. Your vote will not be counted if this envelope is not signed. The secrecy of the ballot will be strictly maintained by this office.

Place the sealed and signed 'Ballot Paper Envelope' into the 'Reply Paid Envelope' addressed to the Tasmanian Electoral Commission and post it to reach me by **10am Friday 17 June 2016**. With recent changes to Australia Post services, it is important to complete and return your vote now. Don't delay - late votes won't be counted.

If you have any queries in relation to voting, please call the TEC on the free call number above.

Yours sincerely

Jocelyn Chapman
RETURNING OFFICER
3 June 2016



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Minutes from CGA TC held on 23 May 2016 at 4.10 pm Eastern and 3.40pm Central

Present:

Tom Eastlake, Trevor Hall, Nic Hansen, Andrew Flavell, Alison Jones and Hugh Molloy

Apologies: None

Simon's paper was discussed and the following items were outlined:

- Cover letter from Tom
- Explanation paper
- Ballot paper to be done by Tasmanian Electoral Office

CGA Board all in favour and good discussion around the state workshops.

Final options are good, just with final adjustments to be put into the papers and Simon to send draft to Tom for approval.

MOTION: CGA is to present 2 Options, as suggested in the final summary paper and reverse the order on the information paper and ballot paper.

Moved Alison Jones

Seconded Trevor Hall

Carried unanimously

Meeting concluded at 4.32 pm.

From: Simon Boughey

Sent: Wednesday, 18 May 2016 4:53 PM

To: 'tom@eastlakes.net'; 'Hugh Molloy'; 'asflavell'; 'Jones Family'; 'Nic Hansen'; 'Trevor'

Cc: Ian Cover

Subject: Levy vote and the election

INCONFIDENCE UNTIL DISCUSSED PLEASE

To the CGA Board

A finalised summary paper of the workshops and process held for the levy review is attached for your information and it was excellent getting around the country to hear the views of the industry.

Tom has asked me to send it the CGA Board for your consideration ?

Tom would like a TC on Monday 23 May to discuss at 4pm Eastern Time, 3.30pm Central time if that is okay with everyone?

I have been liaising with the Tasmanian Electoral Office on final arrangements so Ian and I can get the process under way once the CGA Board has had the TC and made some final decisions.

Once the wording has been agreed to CGA can provide to the TEC

- a signed letter from Tom
- 1-2 page explanation
- TEC will produce the Ballot paper and the mail out etc

They will look to conduct the ballot from 3 June to 17 June and have a result back to CGA by 22 June 2016, so I can write up a final report to send to the Federal Ministers under Tom's signature.

AGAIN IN CONFIDENCE AND FOR DISCUSSION ON THE TC

Also for the Board to consider and I have run this past Tom for discussion too is the fact that:

With the way the workshops went and the vote to come, if the compulsory funds to CGA is to become a reality, there will need to be a concerted effort by the Board and growers to secure a change to legislation

We could try that now or post the ballot and that is something the board needs to discuss in the current Federal election process underway.

The key result was that the option below was favoured:

- **Meetings agreed to Option 2 with minor changes, on page 11 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy.**
3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.

So

20,000 tonne crop would be \$400,000

15,000 tonne crop would be \$300,000

- Federal Government pieces of Legislation involved in this process are:

Imposition legislation

Primary Industries (Customs) Charges Act 1999 & Primary Industries (Excise) Levies Act 1999

Collection legislation

Primary Industries Levies and Charges Collection Act 1991

Disbursement legislation

Horticultural Marketing and Research and Development Services Act 2000

The key issue is the disbursement point at the moment it is only HIA .

- The Federal government needs to set up a mechanism where other bodies could be recognised to receive funds eg CGA, Onions Australia, APAL, Citrus etc etc
- Or through HIA and they are directed to send peak bodies unmatched levies.

Regards
Simon

Simon Boughey
Chief Executive Officer
Cherry Growers Australia Inc. 262 Argyle Street Hobart. Tasmania 7000
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Australian Cherry Levy Workshops - Final Report from Levy Workshops

18 May 2016 by Simon Boughey CGA CEO

Summary

The Discussion Paper on the Review of the Current Levies set by the Australian Cherry Industry was sent out by:

- Email to nearly 293 contact addresses;
- Mailed out to 560 on the mail out database; and
- Emailed out to 323 Levy agent addresses.

In the first and second week of April 2016.

Written submission back as of writing this report has been only one from grower in Queensland .

Six workshops were held at the locations listed below and the feedback for those related to the levy discussion and other matters are listed on pages 2-6 and I have put forward the preferred option from each workshop .

Location	Date and Time	Where	Number in Attendance
Tasmania	Tuesday 26 april 2016 from 3.00 pm to 4.15pm.	FGT Office 262 Argyle Street Hobart	15 (2)*
Victoria	Friday 29 April 2016 from 2.00 pm to 3.50pm	Landmark Office Wandin VIC	6 (3)*
New South Wales	Wednesday 4 May 2016 Orange 9.15 – 10.15am Young 2.00 – 3.15pm	DPI NSW Agricultural Institute Empire Hotel	5 (1)* 11 (3)*
Western Australia	Wednesday 11 May 10.00 am to 12.00 Noon	Manjimup DAFWA office	4 (2)*
South Australia	Friday 13 May 2016 4.15pm – 5.45pm	Lenswood Bowls Club	12 (2)*
Queensland	No workshop held	N/A	N/A

*Note *(1) Indicates big growers/exporters for respective State*

A final recommendation is made on pages 7-8 for the CGA Board to discuss

FINDINGS FROM WORKSHOPS

Tasmania - Main issues discussed.

- Meeting agreed to Option 2 going forward.

OPTION 2	NEW PROPOSAL	Total raised	Matched by Federal government	Total
	Research and Development Levy			
10,000	2c/kg - 200,000	200,000	400,000	\$ 400,000
12,500	2c/kg - 250,000	250,000	500,000	\$ 500,000
15,000	2c/kg - 300,000	300,000	600,000	\$ 600,000
20,000	2c/kg - 400,000	400,000	800,000	\$ 800,000
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects. Includes 0.20 cents/kilogram for Plant Biosecurity Levy.	CGA could apply for project funding here as a service provider		Industry input and advice on Pool 1 and Pool 2 strategic projects
And	0.0 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD;			
	Voluntary /Carton Levy			
10,000	3c/kg - 300,000			
12,500	3c/kg - 375,000			
15,000	3c/kg - 450,000			
20,000	3c/kg - 600,000			
	Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure of for the Industry for example: <ul style="list-style-type: none"> • BMP Program, Market Access & improvement, Export Registration • Trade shows and International marketing and domestic marketing • Capacity building and promotions funding up to growing regions • National Extension program linked to research and development 			

- The industry needs to be in control of the levies not left to HIA and the new model.
- Discussion on going to full zero levies too was discussed.
- Agreement for new CGA Structure to be put in place as part of this process and look at APAL as possible model;
- Major growers want to have more say in levy spend.
- Key areas for R&D:
 1. Fruit fly and market improvement for areas outside the PFA's.
 2. SIT Release in Tasmania if fruit fly detected.
 3. Orchard and production research and benefits in the orchard.
 4. Biosecurity issues for Tasmania and the review of the intergovernmental agreement.
- **No marketing fund going forward** and need to spend the funds in this account in strategic manner.
- Attendees indicated they would send in own submission to the CGA Board by due date.

Victoria - Main issues discussed

- Meeting agreed to Option 2 with minor changes, on page 10 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy. 3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected as a voluntary levy by CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.

OR

2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.

Discussion about:

- Use of levies
- HIA/SIAP/CGA/CEWG and processes going forward
- All projects to go through SIAP even \$40,000 and less
- Projects list to be developed by all parties for discussion and related to needs of the industry
- New strategic plan and marketing plan to be developed
- Role of CGA beyond 30 June 2016.

New South Wales - Main issues discussed

Orange

- **Meeting agreed to Option 2 with minor changes, on page 11 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy.**
3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.
- NSW CGA to talk to Andrew Gee and Minister Nash and Ruston, Mark McCormack and Angus Taylor re changes to the Levies Collection and Disbursements Act to so this option can be enacted to be put in place.
- Relevant Federal Government pieces of Legislation involved in this process are:

Imposition legislation

Primary Industries (Customs) Charges Act 1999 & Primary Industries (Excise) Levies Act 1999

Collection legislation

Primary Industries Levies and Charges Collection Act 1991

Disbursement legislation

Horticultural Marketing and Research and Development Services Act 2000

Simon seeking advice from DAWR LRS on this and possible changes required.

- Concern a voluntary/carton levy would fail or people could claim this back and CGA would lose funds.
- Need to ensure CGA has a business plan and structure to utilise the funds in the most appropriate projects as indicated and also look to provide each State member with Capacity building funds as highlighted on page 12 of the Discussion paper, ie :
Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure for the Industry, for example:
 - **BMP Program, Market Access & improvement, Export Registration,**
 - **Trade shows, International marketing and domestic marketing,**
 - **Capacity building and promotions funding up to growing regions,**
 - **State Capacity building projects for example to employ part time business managers and operations as part of a national framework: For example:**
NSW/QLD \$30,000 (1-2 days a week) CGA NSW

SA \$30,000 (1-2 days a week) CGA SA
TAS \$30,000 (link to FGT work)
VIC \$30,000 (1-2 days a week) VCA/FGV
WA \$20,000 (1 day a week) Stonefruit WA

- **National Extension program linked to research and development.**
 - **No STATE Affiliation Fees perhaps \$1 per annum.**
- Also SIAP to ensure that R&D and M&P funds are spent on key projects linked to market access and improvement, orchard management and production and consumer research, quality management, retail selling of fruit.

Young

- **Meeting agreed to Option 2 with minor changes, on page 11 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy.**
3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.
- NSW CGA to talk to Andrew Gee and Minister Nash and Ruston, Mark McCormack and Angus Taylor re changes to the Levies Collection and Disbursements Act to so this option can be enacted to be put in place.
- Also could get support from other industries such as Citrus, Summerfruit, Ausveg, Strawberries, Table Grapes, Apple and Pear, Onions and Avocados.
- Need to ensure CGA has a business plan and structure to utilise the funds in the most appropriate projects as indicated and also look to provide each State member with capacity building funds as highlighted on page 12 of the Discussion paper.ie.

Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure for the Industry, for example:

- **BMP Program, Market Access & improvement, Export Registration,**
- **Trade shows, International marketing and domestic marketing,**
- **Capacity building and promotions funding up to growing regions,**
- **State Capacity building projects for example to employ part time business managers and operations as part of a national framework: For example:**
NSW /QLD \$30,000 (1-2 days a week) CGA NSW
SA \$30,000 (1-2 days a week) CGA SA
TAS \$30,000 (link to FGT work)
VIC \$30,000 (1-2 days a week) VCA/FGV
WA \$20,000 (1 day a week) Stonefruit WA
- **National Extension program linked to research and development.**
- **No STATE Affiliation Fees perhaps \$1 per annum.**

Western Australia - Main issues discussed

- Representative from WA on the CGA Board will put forward a name by the end of May 2016.
Want to be represented as industry looking to expand in WA.
Getting all the good information from CGA and TIA programs.
Nearly exported to Singapore this year .
- Work for cherries being done through Stonefruit WA and Tim Byl and DAFWA.

- **Meeting agreed to Option 2 with minor changes, on page 11 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy.**
3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.

Or Voluntary Levy if can't get compulsory process up.

- Need to ensure CGA has a business plan and structure to utilise the funds in the most appropriate projects as indicated and also look to provide each State member with capacity building funds as highlighted on page 12 of the Discussion paper.ie.
Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure for the Industry, for example:
 - **BMP Program, Market Access & improvement, Export Registration,**
 - **Trade shows, International marketing and domestic marketing,**
 - **Capacity building and promotions funding up to growing regions,**
 - **State Capacity building projects for example to employ part time business managers and operations as part of a national framework: For example:**
NSW/QLD \$30,000 (1-2 days a week) CGA NSW
SA \$30,000 (1-2 days a week) CGA SA
TAS \$30,000 (link to FGT work)
VIC \$30,000 (1-2 days a week) VCA/FGV
WA \$20,000 (1 day a week) Stonefruit WA
 - **National Extension program linked to research and development.**
 - **No STATE Affiliation Fees perhaps \$1 per annum.**

South Australia - Main issues discussed

- **Meeting agreed to Option 2 with minor changes, on page 11 and for the voluntary and compulsory aspects to be put forward and slight change to research and plant health levy.**
3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Federal Government;
0.20 (Cents /Kilogram) for Plant Health Australia Levy, that is not matched by the Federal government;
1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Federal government;
0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
2.00 (Cents /Kilogram) collected by LRS and provided to CGA, that is not matched by the Federal government and can be used for activities the industry identifies it wants to spend as it collects it.
Or Voluntary if can't get compulsory process up.
- Need to ensure CGA has a business plan and structure to utilise the funds in the most appropriate projects as indicated and also look to provide each State member with capacity building funds as highlighted on page 12 of the Discussion paper.ie.
Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure for the Industry, for example:
 - **BMP Program, Market Access & improvement, Export Registration,**
 - **Trade shows, International marketing and domestic marketing,**
 - **Capacity building and promotions funding up to growing regions,**

- **State Capacity building projects for example to employ part time business managers and operations as part of a national framework: For example:**
NSW /QLD \$30,000 (1-2 days a week) CGA NSW
SA \$30,000 (1-2 days a week) CGA SA
TAS \$30,000 (link to FGT work)
VIC \$30,000 (1-2 days a week) VCA/FGV
WA \$20,000 (1 day a week) Stonefruit WA
- **National Extension program linked to research and development.**
- **No STATE Affiliation Fees perhaps \$1 per annum.**
- There was a lot of discussion on ensuring that grower input is captured as part of the process to identify R&D needs and ensuring that growers have a voice. What is the mechanism now? What role does CGA and CGSA play in this?
- South Australian strategic planning process may be a way of capturing priority R&D projects from SA also reasonable amount of discussion around the marketing levy and ensuring industry has a say in how the funds are spent
- Info on levies needs to go out to all growers (not only CGSA members)
- Major issues raised in relation the HAL to HIA transition and still not satisfactory in involving industry and growers across the country and excluding all the work CGA and state bodies have done.
- New SIAP should consider looking at Marketing and Promotion funds in several themes:
 1. Domestic and local marketing options up to \$10,000 per State
 2. Website and social media marketing aspects
 3. Using accumulated funds for key in market events in export markets
 4. Consumer Research
 5. Other events that could be raised
- Concerns that previous research and development had been given a bad rap by others
- New SIAP should consider looking at Research and Development funds in several themes
 1. Traditional research in relation to orchard management and production and biosecurity
 2. Research required for technical aspects linked to domestic trade and export
 3. Funds used to employ staff working on key projects such as communication, export and extension and projects linked to these.
 4. Data collection, cross industry projects and regional projects.

Queensland

No issues discussed one email back saying the grower was happy to go with what is decided by the CGA Board and out for a vote. (Only 3 growers in Queensland and very small crop levied about 30 tonnes.)

Recommendation

That the CGA Board consider the feedback on the levy discussion paper put finalise an option to go on the ballot paper for the Australian Cherry Industry to vote next to the current levy option for the industry.

Once a final options are approved this information will be conveyed to the Tasmanian Electoral Office to carry out the ballot in early June 2016.

It is proposed that the wording could be subject to approval by the CGA Board the main issue is the need to seek changes to current legislation if the industry does vote for this option.

Option 1

Current Levy maintained with minor adjustment on Plant health Levy

- Maintain the Research and Development Levy at 3.80 (Cents /Kilogram) that is matched \$ for \$ by the Australian Government;
- Maintain the Marketing and Promotions Levy of 3 (Cents /Kilogram) that is not matched by the Australian Government;
- Maintain the Plant Health Australia levy set at 0.20 (Cents /Kilogram) that is not matched by the Australian Government;
- Emergency Plant Pest Response Levy set at 0.00 that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; (Cents /Kilogram).

Option 2

New Levy options

- 3.80 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government;
- 0.20 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian Government;
- 1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian Government;
- 0.00 (Cents /Kilogram for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
- 2.00 (Cents /Kilogram) for an Industry Development and Capacity Building levy collected by Federal Levy Revenue Service and provided to CGA directly from LRS or via HIA, that is not matched by the Australian Government.

Relevant Federal Government pieces of Legislation involved in this process are:

Imposition legislation

Primary Industries (Customs) Charges Act 1999 & Primary Industries (Excise) Levies Act 1999

Collection legislation

Primary Industries Levies and Charges Collection Act 1991

Disbursement legislation

Horticultural Marketing and Research and Development Services Act 2000

The key is to have an amendment that is put into the legislation that provides for other disbursement points. At the moment HIA is the only one under the Act, so you could set it up so other national bodies could obtain disbursement status eg. CGA, APAL, Mangoes etc .

A second option would be an amendment that instruct HIA to disburse funds to peak industry bodies once they receive it and not take their Corporate Cost Recovery fee off the top of this.

All levies in this process of disbursement would not be matched by the Federal Government. This would be a major step forward for all horticultural industries across the country and CGA have tried this approach in October 2014 with a letter to Assistant Minister Ruston but if the industry voted for this in a ballot it would provide great weight to make the changes to legislation.

Figures related to these options are listed below

Cherry levied by tonnes per financial year	Research and Development amounts raised	Matched by Australian Government	Total	Marketing and Promotions amounts raised	Total
OPTION 1	CURRENT STATUS			CURRENT STATUS	
10,000	4c/kg - 400,000	400,000	800,000	3c/kg – 300,000	\$1.1M
12,500	4c/kg - 500,000	500,000	1,000,000	3c/kg - 375,000	\$1.375M
15,000	4c/kg - 600,000	600,000	1,200,000	3c/kg – 450,000	\$1.65M
20,000	4c/kg - 800,000	800,000	1,600,000	3c/kg – 650,000	\$2.25M
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan	CGA could apply for project funding here as a service provider		This would all be administered by HIAL and their processes and Strategic Plan	Industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan
OPTION 2	NEW PROPOSAL			NEW PROPOSAL	
10,000	4c/kg - 400,000	400,000	800,000	1c/kg – 100,000	\$ 900,000
12,500	4c/kg - 500,000	500,000	1,000,000	1c/kg - 125,000	\$ 1.125M

15,000	4c/kg - 600,000	600,000	1,200,000	1c/kg – 150,000	\$ \$1.350M
20,000	4c/kg - 800,000	800,000	1,600,000	1c/kg – 200,000	\$ \$1.80M
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan	CGA could apply for project funding here as a service provider		This would all be administered by HIAL and their processes and Strategic Plan	Industry input and advice on Pool 1 and Pool 2 strategic projects and Strategic Plan
	Compulsory /Voluntary /Carton Levy				
10,000	2c/kg - 200,000				
12,500	2c/kg - 250,000				
15,000	2c/kg - 300,000				
20,000	2c/kg - 400,000				
	Industry Development and Capacity Building levy Collected by DAWR LRS along with the R&D and M&P levies above and disbursed to the CGA National Office on behalf on the Australian Cherry industry by LRS or HIA. Allocated on industry agreed projects approved by the new CGA National Board set up as part of a governance restructure of for the industry for example: BMP Program, Market Access & improvement, Export Registration Trade shows , International marketing and domestic marketing Capacity building and promotions funding up to growing regions National Extension program linked to research and development projects				

Copy of final discussion paper emailed out to the CGA Database , Levy database and hard copy mailed out to CGA Newsletter database in May 2016

To the Australian Cherry Industry

I am writing to you as President of the Cherry Growers Australia Board.

The Cherry Growers of Australia Board has agreed to undertake a review of the existing statutory cherry levy rates that provides support to the Australian industry going forward.

The CGA Board over the past 18 months has been working with the State Association members and listening to growers to continue the development of this discussion paper. These specific levy rate changes will be finalised through a ballot and then proposed to the Australian Government Minister for Agriculture and Water Resources (the Minister) for implementation.

The CGA Board has been delayed in the process due to:

- the change over of Horticulture Australia Limited to Horticulture Innovation Australia and the ongoing use of levy funds which has taken longer than first expected;
- the outcomes of the Senate Review on Levies that delivered its report at the end of June 2015.

This discussion paper provides levy payers with an opportunity to consider CGA's levy proposal, prior to CGA going to a formal ballot and for you to think about the future of the industry over the next 3-5 years and beyond.

The CGA office will be holding a series of workshops around the country in late April and early May, leading to a final ballot paper being developed and approved by the CGA Board and then will go to a Formal Ballot in June 2016.


The results from the ballot will go into a final report to be sent to the Minister by the end of 2015/16 financial year.

The review process will not affect the levies to be collected this financial year, however, should majority support be achieved during the cherry levy ballot, the new levy rates are likely to be implemented during the 2016/17 financial year.

Please give Simon Boughey, CGA CEO a call or email him if you need anything clarified, his details are on page 13 of the Discussion Paper.

We look forward to your input in this important process.

Yours sincerely



Tom Eastlake
President CGA Board
04 April 2016

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History of Levies

CGA became a member of the original Horticulture Research and Development Corporation back in 1987 and established a Research and Development Levy of 1 cent per kilogram to be used by the industry for a range of projects that would assist the industry to grow and develop.

The Australian Government Department of Agriculture and Water Resources (DAWR)—Levies administers the levy collection process and forwarding on of funds collected to Horticulture Australia Ltd (HAL), now Horticulture Innovation Australia Ltd(HIAL).

*This was done on fee for service however over the last four years a new cost recovery system was put in place with costs to the industry stated below, from the DAWR—Levies reports published by them 30 June 2014 and 12 February 2016.

Table 1: Levy collection costs for the past 4 financial years and estimate of 2015/16.

*2011/12	\$21,779
*2012/13	\$102,562
*2013/14	\$57,566
*2014/15	\$50,873
2015/16 possible cost recovery	Estimated \$56,000

Once the levies have been collected HIAL secure their Corporate Cost Recovery that has ranged from 13.9% down to now 10.6% that provides the Australian Cherry industry along with all other industries access to centralised services for our industry such as:

- Industry Services Manager for average of 1 day a week.
- Marketing Manager for average of ½ day a week.
- Centralised service and administration of projects and contracts.
- Whole of horticulture projects.
- Multi industry and across industry projects.
- General policies, service provision and decisions made by the HAL/HIAL Board.
- Web management for projects.
- Annual IAC /Cherry industry report.
- Coordination other services the industry uses, such as:
 - Australia Fresh
 - Office of Horticultural Market Access
 - Whole of horticulture seminars on export and marketing

These services are under review through the transition from HAL to HIAL and industry has been and will be consulted on these processes moving forward.

Review of Levies

The review of levies is the role of the peak industry body, Cherry Growers Australia Inc, to discuss with levy payers, hold a vote on and make recommendations to the Minister for Agriculture and Water Resources (the Minister) on any changes.

In 2006, the Australian Cherry Industry agreed to implement the following:

- A new Research and Development Levy of 4 cents per kilogram; and
- A new Marketing and Promotions Levy of 3 cent per kilogram.

This was agreed too and came into force with collection occurring in the 2007/08 financial year.

In August 2010, there was another review and vote for the period of 2010/11 to 2012/13:

- Reducing the Research and Development Levy from 4 cents per kilogram to 3.97 cents per kilogram;
- Maintain the Marketing and Promotions Levy of 3 cents per kilogram;
- Introduce a new Plant Health Australia levy set at 0.03 cents per kilogram; and
- Introducing a new Emergency Plant Pest Response Levy set at 0.00 cent per kilogram.

These changes only came into force through the approval of the Australian Government, commencing on the 1st of November 2012.

After the vote in 2010, no follow up process was put in place by the previous CEO to get the change through the system. This was corrected and acted upon by the new CEO in 2011, but it still needed time to work through the system, so it was 18 months late in final implementation.

In August 2013, the next review of the levy was set to occur, but due to a number of factors, The CGA Board agreed to postpone the review until 2014/15 financial year. The CGA's Board considered the following points in their decision to postpone the review:

- Review of HAL in early 2014, where levy management options were discussed;
- Trying to get some consensus in the industry on the future of the levy before further consultation took place;
- Amendments to the onion, mango and mushroom levies being put forward for disallowance in Parliament. This was later withdrawn and the changes went forward.
- As a consequence of this, a Senate Inquiry was set up entitled:
Inquiry into the industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector.

Reported to the Minister on the 30th of June 2015. Depending on the recommendations adopted and acted upon, see Appendix A, it could affect all levy collection industries going in to the future. CGA made a submission to this on the 14th of October 2014.

PLEASE NOTE: Most legislative instruments relating to Agriculture levies have a Sunset Clause. For example, the Primary Industries (Excise) Levies Regulations 1999 are due to sunset (that is, automatically cease) on 1 April 2019. The Australian Government (in this case, DAWR) must review the legislative instruments prior to the sunset date, and remake the instrument if it should continue. This is a normal procedure designed to weed out legislation that is outdated and should cease. It is very unlikely that the review of levies legislation by DAWR prior to sunset will affect the rate of the cherry levy. Therefore, CGA is pressing ahead with the levy review that is the subject of this document.

Current Review

The CGA Board wrote to the Minister on the 30th of October 2014, indicating that the review would take place and the industry would report back to him.

The Minister wrote back on 5 December 2014 accepting that the review would take place.

There has been slippage in this process due to the Senate Committee Review of Agricultural Levies and some of the uncertainty of the HIA processes and use of the levies raised by the Australian cherry industry.

With the changeover from Horticulture Australia Limited (HAL) to Horticulture Innovation Australia Limited (HIAL), there has been some discontent through the industry relating to the management of levies. This has come about as some levy payers fear the cherry industry is going to lose control of the spending of its own levy funds and that a large percentage of funds are already lost to levy collection costs of about \$50,000 per annum, as well as HAL/HIAL corporate cost recovery fees of 10-11% per annum. These costs are likely to remain the same, irrespective of R&D levy funds collected into the future.

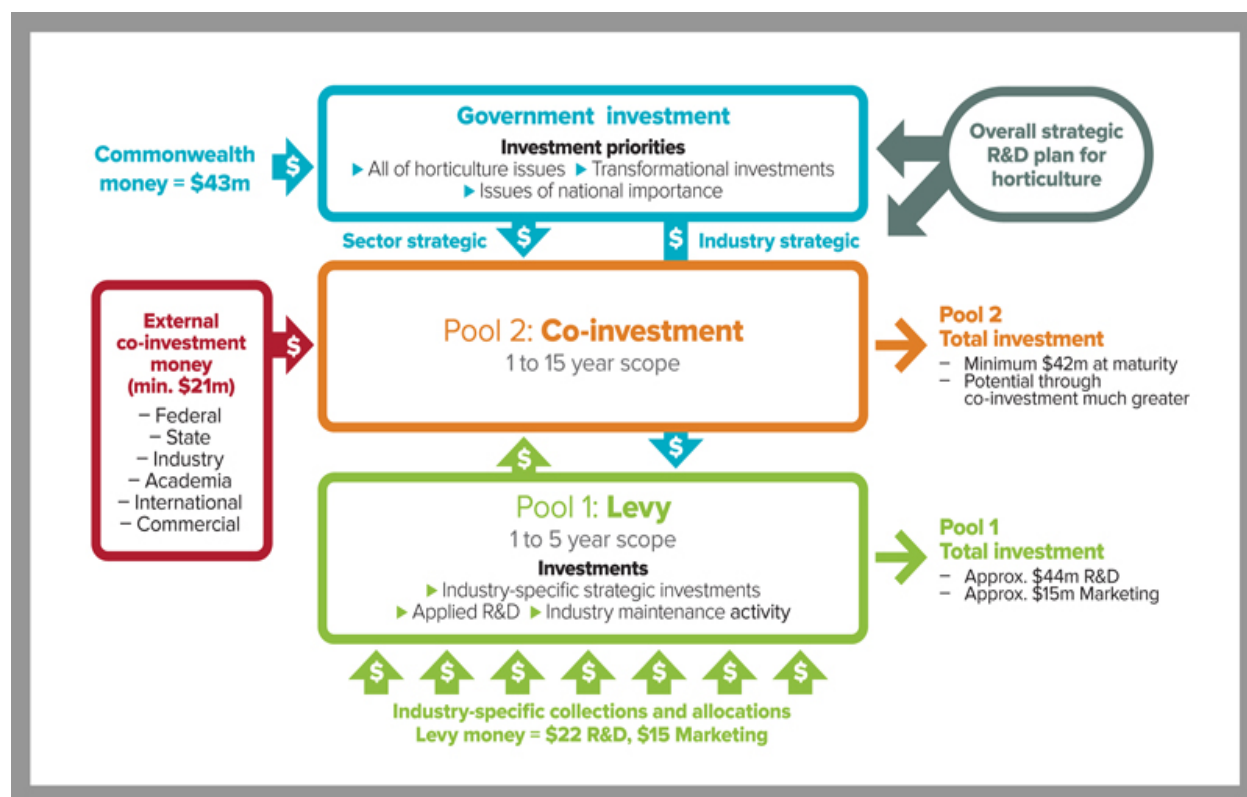
On the 27th of October 2014 the CGA Board requested a written assurance that all monies raised through the cherry levy in 2014/15 and future years will be allocated to cherry industry projects and any strategic projects, after consultation and approval from CGA and HIA assessment processes. HIA responded on the 24th of November 2014, indicating that the new operational model would incorporate this assurance (see diagram on page 6).

CGA sees this as vital, as the industry has requested CGA roll out our Biosecurity Management Programme and Systems Approach project across Australia and needs to ensure specific Research and Development projects are undertaken to meet our market access and market improvement needs.

Some levy payers have expressed concerns that industry funds will be allocated to new, non-specific cherry industry related HIAL projects. These fears may have been allayed by the communications to all industry in 2015. See page 7 in relation to funding of future projects, the following diagram was received from the CEO of HIA John Lloyd on the 26th of February 2015:

HIA Transition Investment Arrangements

As you may recall, a set of transition investment policies and principles to operate, pending full implementation of the HIA model (31 December 2015), has been provided to stakeholders over recent months. A summary of those policies can be found on the [HIA website](#).



Interim Advisory Arrangements for Levy Investments

As previously indicated, current industry strategic and annual investment plans have been adopted by HIA and will remain in operation during the transition process. This recognises the significant work and industry consultation that has gone into preparing these documents and the industry investment priorities they detail.

HIA will continue to implement the programs embedded within these documents in accordance with the Board investment policy decisions outlined above.

In addition to the strategic and annual investment plans, the Board has recently approved arrangements for advice on industry investments that will operate during the transition period.

The inclusion of growers and relevant IRBs will be fundamental features of these interim arrangements, as will the flexibility to tailor them to any particular industry as and when they are needed.

This was set up by HIAL after some discussions with the CGA Board and had its first meeting on 18 June 2015 as a first step to ongoing consultation with the industry on the levy spend in 2015/16 and out to 2020 and further meetings are planned for 2015 and 2016.

The Cherry Strategic Investment Advisory Panel is in the process of being appointed and should be in place by May 2016 for assessment and advice on projects going in to the 2016/17 financial year and beyond.

Mid Term Review - June 2014

CGA conducted a mid-term review of the Australian Cherry Strategic Plan 2012-2017 was carried out in early 2014 with over 30 of the key players and growers in the industry and part of the discussions centered around the review and usage of cherry levies.

The Australian Cherry Strategic Investment Plan 2012-2017 and its components:

- Australian Cherry Research and Development Plan 2012-17;
- Australian Cherry Strategic Marketing Plan 2012-17;
- Australian Cherry Export Roadmap 2012-17; and
- Australian Cherry Communications and Extension Strategy 2012-17.

These components were agreed to and signed off by HAL and the industry on funding priorities as well as the spending of levies collected. These can all be viewed on the CGA website: www.cherrygrowers.org.au

The Strategic Intent of the Australian Cherry Strategic Investment Plan 2012-2017:

The best quality Australian cherries to meet consumer needs!

Key Aspirations of the Plan are:

- The Australian cherry industry aspires to grow the industry to capture domestic and export market opportunities. This will be achieved through the development of efficient and effective supply chains, which maintain industry profitability and consumer confidence.
- It aims to ensure that, throughout the Australian season, consumers can purchase a quality cherry product that meets or exceeds their expectations.

Key Objectives of the Plan are:

- To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality, fresh cherries, at retail level.
- To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply.
- To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion.

The agreed objectives of the mid term review were to consult with industry leaders to:

- Determine the appropriateness of the current levy arrangements
- To identify changed conditions impacting the Australian Cherry Industry (since the commencement of the Plan)
- Identify key issues impacting the industry
- Identify gaps / inadequacies in the content and implementation of the current SIP
- Identify achievements to date against the objectives of the current SIP (review KPIs and investment analysis within the SIP).
- Provide recommendations on how the current SIP might be better aligned with the needs of industry
- Provide recommendations on other possible actions that might be undertaken to achieve improved outcomes for the industry.

The Key findings of the mid term review were:

The significant majority of interviewees did not support an increase in the overall levy rate of above 7 cents per kilogram.

- The majority of respondents thought the R&D component of the levy should be either retained at the current 4 cents per kilogram or that it should be increased (thus reducing the marketing component).
- There was a mixed response as to the value of the marketing levy, although the majority of interviewees thought the marketing levy should be retained, even if this was at a lower rate.
- The majority of those consulted emphasised the importance of gaining / maintaining market access to key export markets, in particular China and Thailand – and as such a desire to see greater investment in R&D projects that could assist in achieving these outcomes.

PLEASE NOTE: SINCE THE MID TERM REVIEW THERE HAVE BEEN SOME MAJOR CHANGES FROM HAL TO HIAL , PLEASE REFER BACK TO PAGES 4 AND 5 THAT HAVE CHANGED MANY GROWERS VIEW ON THE USE OF LEVIES AND CREATED MUCH DISCUSSION ACROSS THE AUSTRALIAN CHERRY INDUSTRY.

Another key change that has occurred to the industry over the last 2 years, has been the development of the **Australian Cherry Export Plan** and the **Australian Biosecurity Management Programme and Framework** that has been developed to assist in export of cherries globally with the key statement being:

“Australian cherries are free of pest and disease of quarantine concern”.

This was launched in September 2014 and continues to be fully supported by the Australian cherry industry. This comes as we move forward and seek market improvement for all growing regions in to protocol and non protocol markets and also domestic trade across State borders. The other key change is that industry is also going through some expansion, with new plantings coming online and with a number of new orchards planned to be developed over the next few years in all States.

This is in response to the growing demands for high quality cherry fruit coming from the across the full Asian region; be that the Middle East, the southern Asian area, the East Asian area and also other global markets as Australian growers can deliver their fruit to markets within 48-72 hours of being picked in the orchard.

Initial Options for Discussion in Relation to the Levy Changes in 2015

With all of this process, including formal and informal discussions with growers, levy payers and State associations, over the past 18 months and to the changes occurring HAL to HIAL, a number of options have been discussed. However the CGA Board at meetings taking place in March, June and August 2015, approved the following options to be discussed across industry.

Table 2: Initial Options for Discussion in Relation to the Levy Changes in 2015.

<p>Option 1 - Keep the levies at the current rates of 7 Cents/ Kilogram:</p> <ul style="list-style-type: none"> • 3.97 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government up to a limit of 0.5 per cent of the gross value of production (GVP) for horticulture industries. The final decision on what is claimed for matching lies with HIAL; • 0.03 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian government; • 3.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian government. 		
<p>Option 2 - Keep the levies but at the rates below :</p> <ul style="list-style-type: none"> • 3.97 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government up to a limit of 0.5 per cent of the gross value of production (GVP) for horticulture industries. The final decision on what is claimed for matching lies with HIAL; • 0.03 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian government; • 1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian government; and • 2.00 (Cents /Kilogram) collected as a voluntary levy by CGA, that is not matched by the Australia Government and can be used for activities the industry identifies it wants to spend as it collects it. 		
<p>Option 3 - Keep the levies but at the rates below:</p> <ul style="list-style-type: none"> • 5.97 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government up to a limit of 0.5 per cent of the gross value of production (GVP) for horticulture industries. The final decision on what is claimed for matching lies with HIAL; • 0.03 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian government; and • 1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian government. 		
<p>Option 4 - Keep the levies but at the rates below : Reduce the levies all to zero, but keep them as options for future reviews and reinstatement if agreed to by industry:</p> <ul style="list-style-type: none"> • 0.00 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government; • 0.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian government; and • 0.00 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian government; • 0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy 		
Tonnes Produced	Membership fee by \$	
1000 plus	\$30,000	
700 to 1000	\$20,000	
400 to 700	\$10,000	
100 to 400	\$5,000	
40 to 100	\$2500	
1 to 40	\$500	

Following further discussions with the industry and its members, the CGA Board agreed on the 14th of October 2015 that it would write to the new Assistant Agriculture Minister Senator Ruston with the following proposal.

CGA Board to put to the Australian Cherry Industry to keep the levies at the rates below:

- 3.97 (Cents /Kilogram) for Research & Development that is matched \$ for \$ by the Australian Government;
- 0.03 (Cents /Kilogram) for Plant Health Australia Levy , that is not matched by the Australian government;
- 1.00 (Cents /Kilogram) for Marketing & Promotional activities, that is not matched by the Australian government;
- 0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy that will be matched or otherwise as agreed to under regulations and agreements from the EPPRD; and
- **2.00 (Cents /Kilogram) collected and provided to CGA, that is not matched by the Australian government and can be used for activities the industry identifies it wants to spend as it collects it.**

CGA would need Ministerial approval, so the levies could be collected by DAWR through LRS and transferred through to CGA directly and / or through from HIA and would be a precedent in horticulture.

However, DAWR—Levies does not have the legislative authority to collect voluntary levies. Also, as indicated by the Minister in a letter back to CGA dated 23 November 2015, the collection of levies for CGA would need to be done at a voluntary level as the current legislation would prohibit the compulsory collection to funds to go back to CGA directly to provide services to the Australian Cherry Industry.

2016 Levy Discussions and Final Options

As a consequence of the Minister's decision the CGA Board met on 12 February 2016 in Melbourne and after consultation with an open forum held in Melbourne on 11 and 12 February made up of growers, exporters and CGA members agreed that a final position on levy changes be put to the Australian Cherry Industry:

- **1.80 (Cents /Kilogram) for Research & Development that is matched by the Australian Government. Matched up to a limit of 0.5 per cent of the gross value of production (GVP) for horticulture industries. The final decision on what is claimed for matching lies with HIAL;**
- ****0.20 (Cents /Kilogram) for Plant Health Australia Levy to be used for Plant Health Australia membership, funding of incursion programs and running other biosecurity related work eg review of National Biosecurity Plan and workshops,**
- **0.00 (Cents /Kilogram) for the Emergency Plant Pest Response levy; and**
- **3.00 (Cents /Kilogram) collected and provided to CGA, through a voluntary levy/carton levy that can be used for activities the industry identifies it wants to spend on as it collects it.**

Funds expected to be raised with these new figures listed below in 'Option 2' as compared to the current funds raised in 'Option 1' (see page 12).

Table 3: Projected funds raised through current and proposed levy amounts.

Cherry levied by tonnes per financial year	Research and Development amounts raised	Matched by Australian Government	Total	Marketing and Promotions amounts raised	Total
OPTION 1	CURRENT STATUS			CURRENT STATUS	
10,000	4c/kg - 400,000	400,000	800,000	3c/kg - 300,000	\$1.1M
12,500	4c/kg - 500,000	500,000	1,000,000	3c/kg - 375,000	\$1.375M
15,000	4c/kg - 600,000	600,000	1,200,000	3c/kg - 450,000	\$1.65M
20,000	4c/kg - 800,000	800,000	1,600,000	3c/kg - 650,000	\$2.25M
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects	CGA could apply for project funding here as a service provider		This would all be administered by HIAL and their processes	Industry input and advice on Pool 1 and Pool 2 strategic projects
OPTION 2	NEW PROPOSAL				
10,000	2c/kg - 200,000	200,000	400,000		\$ 400,000
12,500	2c/kg - 250,000	250,000	500,000		\$ 500,000
15,000	2c/kg - 300,000	300,000	600,000		\$ 600,000
20,000	2c/kg - 400,000	400,000	800,000		\$ 800,000
	This would all be administered by HIAL and their processes with industry input and advice on Pool 1 and Pool 2 strategic projects.	CGA could apply for project funding here as a service provider			Industry input and advice on Pool 1 and Pool 2 strategic projects
	Voluntary /Carton Levy			There would be no Marketing Levy	
10,000	3c/kg - 300,000				
12,500	3c/kg - 375,000				
15,000	3c/kg - 450,000				
20,000	3c/kg - 600,000				
	Industry Development and Capacity Building Voluntary Levy collected by CGA national office on behalf on the Australian Cherry industry and spent on industry agreed projects approved by the new National Board set up as part of a governance restructure of for the Industry for example:				
	BMP Program,				
	Market Access & improvement				
	Export Registration				
	Trade shows				

	<p>International marketing and domestic marketing</p> <p>Capacity building and promotions funding up to growing regions</p> <p>National Extension program linked to research and development.</p>	
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****PLANT HEALTH LEVY will incorporate: Plant Health Australia membership, funding of incursion programs that the industry might contribute to and linked to other work eg review of National Biosecurity Plan and workshops.**

PLEASE NOTE:

All the compulsory levies collected would be minus fee for service DAWR Levy Revenue Service to collect levies and the Corporate Cost Recovery fees provided to HIA.

WHAT WOULD YOU LIKE TO SEE HAPPEN IN THE FUTURE WITH YOUR LEVIES? IT'S TIME TO HAVE YOUR SAY!

WHERE TO FROM HERE?

Continued consultation with the Australian Cherry Industry via its growers and levy payers is required under the 12 Levy Principles introduced by the Australian Government in 1997.

CGA intends to meet these principles by:

- Circulating this discussion paper to the CGA database for comment and feedback;
- Conducting 6 workshops across the growing regions in late April/early May 2016 for example:

Western Australia at Manjimup	South Australia in the Adelaide Hills
Victoria in the Yarra Valley	New South Wales in Young
Queensland in Brisbane	Tasmania in Hobart

HAL/HIAL Cherry Levy Investment for the period 2007-14 (March 2015)

To assist this process HAL /HIAL have completed a summary of how the levy funds have been spent in a full range of projects, since 2008 to the end of 2014/15 financial year, please go to the link:

http://www.cherrygrowers.org.au/assets/Cherry_investment_2007_to_current_-_Project_Outputs.pdf

Other information on the site below:

<http://horticulture.com.au/grower-focus/cherry/>

Feedback and also your comments and views are vital part of the process as we move. Also please provide any feedback by writing, emailing or calling the CGA National Office by the 6 May2016.

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Once all feedback has been received the industry will need to vote formally on the final options through a ballot that will be officially run by Tasmanian Electoral Office in late May/early June 2016 once approved by the CGA Board.

Results of this ballot will be collated and final report provided to the Minister by 30 June 2016 for consideration, so any changes will be implemented prior to the 2016/17 financial year collection period.

APPENDIX A

Recommendations from the Senate of Australia:

Rural and Regional Affairs and Transport References Committee released on 30 June 2015

Industry structures and systems governing the impositions and disbursement of marketing and research and development (R&D) levies in the agriculture sector.

Recommendation 1

4.19 The committee recommends that the *Primary Industries Levies and Charges Collection Act 1991* be amended, consistent with subsections 27(3) and 27(3A), to enable the collection and distribution of levy payer information which will allow the creation of levy payer databases for all agricultural industries that pay agricultural levies. The committee further recommends that levy payer databases be established within two years of the legislative amendment.

Recommendation 2

4.20 The committee recommends that data collected for the purposes of levy databases and held by the Department of Agriculture should be limited to information sufficient to enable organisations responsible for spending or allocating levy funds to communicate with levy payers and enable votes to be allocated on a production basis. Data should include location, contact details, crop or enterprise type and production volume and/or value. Databases should be held by the appropriate levy-payer owned body, and be available to appropriate authorities under circumstances of biosecurity emergencies.

Recommendation 3

4.21 The committee recommends the establishment of a cost-effective, automated agricultural levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements where relevant. It should be subject to regular independent auditing and verification.

Recommendation 4

4.22 The committee recommends that where industry sectors are subject to levies by both states and territories and the Commonwealth, the merging of record keeping and levy collection should be investigated to avoid duplication and reduce costs to producers.

Recommendation 5

4.28 The committee recommends that the Department of Agriculture provide agricultural industries with a timeframe for levy application and amendment decisions.

Recommendation 6

4.29 The committee recommends that the Department of Agriculture, in cooperation with relevant agricultural industries, conduct a review of the process to establish and amend agricultural levies including modifications to levy components. The review should identify methods to provide for a more cost-effective and responsive process while maintaining an appropriate level of accountability.

Recommendation 7

4.32 The committee recommends that the Department of Agriculture review and if necessary, redraft the criteria for Prescribed Industry Bodies (PIBs) with a view to developing a transparent, uniform and contestable process, including published criteria and thresholds as applicable, for the recognition of PIBs for the purposes of collecting levies.

4.33 The committee further recommends that PIBs already recognised under legislation should be required by the Department of Agriculture to conclusively demonstrate, within a period of no more than five years, that they meet the criteria referred to in Recommendation 7 in order to remain the recognised PIB for their relevant industry sector.